

SILVER CITY MINERALS LIMITED



16 February 2018

Ms Kimberley Brown
Principal Adviser
Listings Compliance (Sydney)
ASX Compliance Pty Ltd ("**ASX**")
20 Bridge Street Sydney NSW 2000

Dear Kimberley,

Silver City Minerals Limited ("Company") - Appendix 5B Query

I refer to your letter dated 12 February 2018 ("**Letter**") regarding the Company's Appendix 5B for the three months ending 31 December 2017. The Company provides the following responses in relation to the questions in the Letter:

- 1 Operating expenditures incurred over past quarters and the anticipated expenditure for the March 2018 quarter reflects substantial exploration activity undertaken by the Company in relation to its Copper Blow project.

The Company does not anticipate continuing high levels of exploration expenditures until it has the benefit of assay results from its most recent drilling campaign.

- 2 The Company is in discussions with a number parties who are able to provide further equity capital to the Company as, and if, needed; the Company has demonstrated this ability. The Company maintains its full placement capacities under ASX Listing Rules 7.1 and 7.1A.

The Company has a reasonable basis to believe, and is of the belief, that it is able to raise additional cash to fund its ongoing operations as, and if, needed.

- 3 Based on the information provided in items 1 and 2, above, the Company expects to continue its operations and to meet its business objectives.
- 4 The Company is of the opinion that it is in compliance with Listing Rule 12.2, which requires the Company's financial condition to be adequate to warrant the continued quotation of its securities and its continued listing on the ASX.
- 5 The Company confirms that it is compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with Listing Rule 3.1 that has not already been released to the market.

- 6 The Company's responses to the questions above have been authorised by the Company's Board in addition to the Company Secretary who has delegated authority from the Board to respond to ASX on disclosure matters.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Ivo Polovineo', with a stylized flourish at the end.

Ivo Polovineo
Company Secretary



12 February 2018

Ivo Polovineo
Company Secretary
Silver City Minerals Limited
Suite 3
Level 1
80 Chandos Street
ST LEONARDS NSW 2065

By Email

Dear Ivo,

Silver City Minerals Limited (the “Company”): Appendix 5B Query

I refer to the Company’s Appendix 5B quarterly report for the period ended 31 December 2017 lodged with ASX Market Announcements Platform on 25 January 2018 (the “Appendix 5B”).

ASX notes that the Company has reported:

- negative net operating cash flows for the quarter of \$477,000
- cash at the end of the quarter of \$726,000; and
- estimated cash outflows for the next quarter of \$379,000.

It is possible to conclude, based on the information in the Appendix 5B that if the Company were to continue to expend cash at the rate indicated by the Appendix 5B, the Company may not have sufficient cash to continue funding its operations for the next two quarters. In view of that, ASX asks the Company to respond separately to each of the following questions and requests for information:

1. Does the Company expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Company taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Company expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that the Company considers may be relevant to ASX forming an opinion on whether the Company is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

5. Please confirm that the Company is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.
6. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30am AEDT on Friday, 16 February 2018. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Company's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and

- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Kimberley Brown'.

Kimberley Brown
Principal Adviser, Listings Compliance (Sydney)